

**PINE RIVER TOWNSHIP
BUSINESS SUBSIDY POLICY**

RECEIVED MAY 24 2006

I. Purpose

The following business subsidy criteria are intended to satisfy the requirements of Minnesota Statutes 116J.993 through 116J.995 (the "Act"), and are hereby established in order to evaluate requests for business subsidies as defined by the Act. The Township of Pine River hereby adopts the definitions in the Act for application in the policy. The term "Town" means the Township of Pine River.

The Township shall consider subsidies for projects that serve to accomplish the Township's goals for economic development as they may change over time. The goals include facilitating projects that would result in the creation of quality jobs (those providing stable employment, benefits) and the attraction, retention, and expansion of business options in the Township.

The Township reserves the right to approve or reject projects on a case by case basis, taking into consideration established policies, project criteria, demand for Township services in relation to the potential benefits resulting from the project, and current financial conditions such as levy limits and public service priorities within annual Township operating budget. Meeting policy criteria does not guarantee the award of a subsidy to the project. Approval or denial of a business subsidy to one project is not intended to set precedent for approval or denial of another project.

The Township reserves the right to modify this policy and may deviate from it by documenting the reasons in writing and including the documented reasons with its next report to the Department of Employment and Economic Development.

II. Goals, Objectives and Minimum Requirements

It is the Township's intent to further the following goals and objectives in granting business subsidies with minimum requirements as set forth:

- A. All projects must be consistent with Cass County's Comprehensive Plan, and any local community development and comprehensive plans.
- B. Before a subsidy is considered for any project or property, it must be in compliance with all Cass County ordinances, and Township of Pine River ordinances, be current on all tax payments and in compliance with any other legal or financial obligations.
- C. The fundamental purpose of a subsidy in the Township of Pine River is to encourage desirable development and/or redevelopment that would not otherwise occur "but for" the assistance provided through a business subsidy.
- D. The Township of Pine River will consider the impact of the project on public services, including but not limited to pollution, traffic and the need for additional law enforcement.
- E. If the form of business subsidy considered and/or granted is tax increment financing (TIF), the TIF Policy of record of the Cass County Board of Commissioners shall apply in all respects.
- F. A written application on a form provided by the county shall be completed for each subsidy request. The Township of Pine River will make the final decision in the granting of a business subsidy after full consideration of any and all recommendations and public comment.
- G. Grantee must enter into a business subsidy agreement with the Township of Pine River that sets forth the criteria established as the basis of the subsidy, statutory reporting and other requirements, including the recourse for failing to meet the criteria and the payment of any business subsidy fees.
- H. The Township of Pine River agrees select qualified businesses that shall not to compete with or displace local businesses currently operating within the subzone community."

The Township of Pine River requires that the proposed project meet one or more of the following criteria in order to be considered for the award of a business subsidy:

the granting of a business subsidy, at the same time recognizing that not all projects assisted with subsidies derive their public purpose and importance solely by job creation. In evaluating job and wage goals for a project under consideration for a business subsidy, guidelines will apply as follows:

1. The number of created or retained jobs.
2. The setting of wage and job goals will mean a job which pays an average wage equal to or greater than 1.75 times the federally mandated minimum wage rate.
3. In cases where the objective is the retention of existing jobs, the project proposal must identify the number and provide evidence of the potential loss of specific jobs.
4. The setting of wage and job goals will be guided by current information on (i) prevailing wage rates for like or similar jobs within the area, (ii) local economic conditions, (iii) external economic conditions, (iv) the financial resources of the recipient, and (v) the competitive environment in which the recipient's business exists.
5. The applicant must provide data on new job and wage goals with payroll projections based on the minimum net number of direct full-time equivalent jobs to be created or retained by the proposed project for a period of at least two years from the estimated benefit date, and the minimum annual net payroll including employer contributions for health benefits to be generated at the end of the third anniversary data of the estimated benefit date.

B. General factors for project prioritization

The Pine River Township Board considers projects involving one or more the following to be of the highest priority:

1. Projects with low environment impact and/or those that promote redevelopment objectives and removal of blight, including pollution cleanup.
2. Projects that encourage full utilization of existing or planned infrastructure improvements.
3. Retail business will not be considered for a business subsidy unless the project creates substantial quality employment and increased tax base.
4. Projects likely to result in additional or "spin-off" development in the community.
5. Projects that improve access to services for Township residents.
6. Projects that encourage economic and commercial diversity within the community.

C. Criteria application to a specific project

1. If the business subsidy is real or personal property, the amount of the subsidy will be the fair market value of the property as determined by Cass County.
2. If the business subsidy is received over time, the County may value the subsidy at its present value using a discount rate equal to an interest rate that the County determines is fair and reasonable under the circumstances.
3. As used herein, "benefit date", means the date the business subsidy is received. If the business subsidy involves the purchase, lease, or donation of physical equipment, then the benefit date occurs when the recipient puts the equipment into service. If the business subsidy is for improvements to property, then the benefit date refers to the earliest date of either when the improvements are finished for the entire project; or when a business occupies the property. If the business subsidy is received over time, the Township of Pine River and County may value the subsidy at its present value using a discount rate equal to an interest rate that the County determines is fair and reasonable under the circumstances.
5. As used herein, "benefit date", means the date the business subsidy is received. If the business subsidy involves the purchase, lease, or donation of physical equipment, then the benefit date occurs when the

recipient puts the equipment into service. If the business subsidy is for improvements to property, then the benefit date refers to the earliest date of either when the improvements are finished for the entire project; or when a business occupies the property.

II. BUSINESS SUBSIDY REQUIREMENTS

- A. Any time the Township of Pine River provides a business subsidy to a Qualified Business or Recipient, that business is subject to the wage goals, job goals and other criteria set forth in this policy. In the event of a conflict between the requirements of the Business Subsidy statute M.S. §§ 116J.993 - 116J.995 and the JOBZ statute M.S. §§ 469.310 - 469.320, the JOBZ statute shall control.
- B. The approved JOBZ business subsidy business, must create and retain for the period of the JOBZ Zone duration or until December 31, 2015, whichever is shorter.
- C. It is expected that all business subsidy agreements shall have a quantified target for the number of employees to be hired.
- D. It is expected that "living wage jobs" shall mean a job, which pays an average wage equal to or greater than 1.75 times the federally mandated minimum wage.
- E. The Township of Pine River shall require all businesses receiving a business subsidy to comply with the following:
 - 1. Attend a properly noticed public hearing shall be held by the Township of Pine River as provided by M.S. § 116J.994. The purpose of the hearing shall be held to identify define the criteria that the qualified business or recipient will meet in order to be eligible to receive a business subsidy or become a qualified business for purposes of the JOBZ statute. The hearing shall specify the subsidy provided, public purpose(s) that shall be achieved by offering the subsidy, and shall specify the measurable, specific, and tangible goals committed to by the qualified business. As provided by M.S. 116J.994, Subd. 5., a public notice shall be published in print and if possible, on the internet, at least 10 days prior to the hearing, identifying the location, date time and place of the hearing; and providing information about the business subsidy proposed, including a summary of the terms of the subsidy.
 - 2. If the business is qualified to receive JOBZ tax benefits, that business shall agree to continue to operations in the jurisdiction where the subsidy is used (the subzone) for the duration of the job zone term.
 - 3. If the qualified business or recipient is a relocating business, from another Minnesota non-JOBZ Zone location, the business shall be required to enter into a binding written "Relocation Agreement between the qualified business and the commissioner of DEED pledging that the qualified relocating business will either:
 - (a) Increase full-time for full-time equivalent employment in the first full year of operation within the job opportunity building zone by at least 20 percent, *or*
 - (b) Make a capital investment on the property equivalent to 10% of the gross revenues of operation that was relocated in the immediately preceding taxable year; and provides for repayment of all tax benefits if the requirements of (a) or (b) are not met.